STC
The Bus Company

Committed to our Customers

Committed to our Community

We're going Places!

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Letter of Transmittal

Regina, Saskatchewan

March 31, 2002

To Her Honour
The Honourable Dr. L. M. Haverstock
Lieutenant Governor of the Province of Saskatchewan

Madame:

I have the honour to submit herewith the annual report of the Saskatchewan Transportation Company (STC) for the year ended December 31, 2001, in accordance with The Crown Corporations Act, 1993. The financial statements are in the form approved by the Treasury Board and have been duly certified by the Corporation's auditors.

I have the honour to be, Madame,

Your obedient servant,

Maynard Sonntag

Maynard Sonntag,
Minister of the Crown Investments Corporation of Saskatchewan

102-04526/

2001 Corporate Profile

- Established 1946 by Order-In Council; has operated continuously
- Serves 275 communities in Saskatchewan
- Operates 28 bus routes, travelling more than 3.3 million miles per year
- Fleet of 38 coaches and vans, varying in size from 55-seater to 15-seater, as well as a freight truck and freight trailers
- Has 206 agents operating in rural Saskatchewan
- Operates passenger and express depots in Regina, Saskatoon and Prince Albert
- Operates service garages in Regina and Saskatoon
- Head office in Regina
- Staff of 237, made up of 196 full time and 41 part-time; 211 employees in-scope, 26 employees out-of-scope
- In-scope employees represented by the Amalgamated Transit Union, Local 1374
- Annual payroll of $8.5 million
- Assets of $18.5 million (2000 --$18.2 million)
- Expenditures in 2001 $17.0 million (2000-- $16.5 million); Revenues in 2001 $13.7 million (2000 -- $13.6 million)
- Capital expenditures $2.0 million (2000 -- $2.8 million)

Passenger Services:

This unit is responsible for all aspects of ensuring STC's passengers enjoy a safe and reliable trip. Within this unit are the Motor Coach Operators, Passenger Service Attendants and Custodians. The rural agencies provide services to this unit as well. It is STC's largest employee complement.

Express Service:

This unit is responsible for freight and baggage handling for STC and connector buses, with staff in all three depots. It receives and delivers freight to and from customers. Pick Up and Delivery services are available in Regina, Saskatoon and Prince Albert as well as some rural agencies.

Maintenance:

The primary responsibility of this unit is the maintenance, cleaning and storage of all company vehicles. This is done in service garages in Saskatoon and Regina. It is also responsible for on-the-road servicing of coaches, when required. This unit also provides maintenance, cleaning and storage to coaches of other carriers, done on a contract basis.

Finance:

This unit is responsible for the collection of revenues from customers and the payment of STC's suppliers. It has sub-units for billing, accounts receivable and collections, accounts payable, agencies, and reclaims (billing and paying connecting carriers, such as Greyhound, for services rendered). It is responsible for the company's budgeting, financial forecasting, corporate insurance and internal controls.

Information Systems:

This unit is responsible for the procurement of all corporate hardware and software needs. It ensures that adequate backup and recovery procedures are in place and maintains the network on a day-to-day basis. This unit also maintains the stand-alone systems at depots, agencies and client sites throughout the province.

Human Resources:

This unit handles all staff recruitment and placement, co-ordinates training, and administers compensation and benefit programs. It ensures contract compliance between the company and the union. It is responsible for Occupational Health and Safety, workplace safety, anti-harassment programs, employment equity programs and accessibility programs.

Strategic Planning and Communications:

This unit is responsible for corporate communications, internally and externally. It is responsible for the preparation of corporate documents such as the Annual Report, Business Plan and Strategic Plan. It liaises with other Crowns and Government agencies. It is responsible for forward planning and issues management for the company.

Report of the Chair of the Board of Directors

The year 2001 was the first year that I served both as a Board Member and as Board Chair for the Saskatchewan Transportation Company. It was also the first year that a majority of the Board members were associated with STC.

It has been an interesting year, and one during which the Board played a major role in seeing to it that STC lived up to the theme of this report, "Committed To Our Customers...Committed To Our Community".

There are two fundamental duties of any Board of Directors. The first is to give the corporation strategic business direction; the second is to ensure that the corporation not only follows that direction, but also that it performs its responsibilities within the context of both statute and its own bylaws.

I would add that the Board of a Crown corporation has an additional, very important purpose. That is to ensure that the public policy goals for the corporation are in line with the needs of the shareholder, in this case the people of Saskatchewan.

I am pleased to state that, in my role as Chair of the STC Board, I am satisfied that the company in 2001 not only conducted its business honestly, competently, and as directed, it also stayed mindful of its duties to the people of this province.

Because of the company's commitment to provide bus service to as much of the province as possible, STC receives a grant from CIC to susidize the unprofitable routes it runs. The provision of this service is felt to be the primary goal of the company.

STC employees do a very good job of providing both quality and quantity of service in Saskatchewan, and are always mindful of their additional responsibilities as stewards of a portion of the public purse.

STC management worked long and hard with very few tools at their disposal to ensure that the amount of subsidy paid by the province was the lowest it could be. And they did not do this in any way which would be detrimental to the customers.

In the course of 2001, the staff of STC had many occasions to both cope with difficulties and to embrace opportunities.

Whether it was dealing with budget crunches, a potentially costly environmental issue in Saskatoon, labour relations in a year of contract negotiations, or even the Christmas rush, the people at STC proved themselves to be up to the job. They were also quite capable when it came to hunting down new sources of revenues or recruiting new customers.

The two recurring themes in the strategic direction given by the Board to STC in the course of the year were to: a) always look to improve customer service; and b) always be mindful that the money you are spending comes, at least in part, from the public

purse, and the public expects a return of some kind on that investment.

The company did, and continues to, place a very heavy emphasis on its commitment to its customers. And it did everything it could to continue to prove it is an asset to the province and that it is indeed, committed to its community.

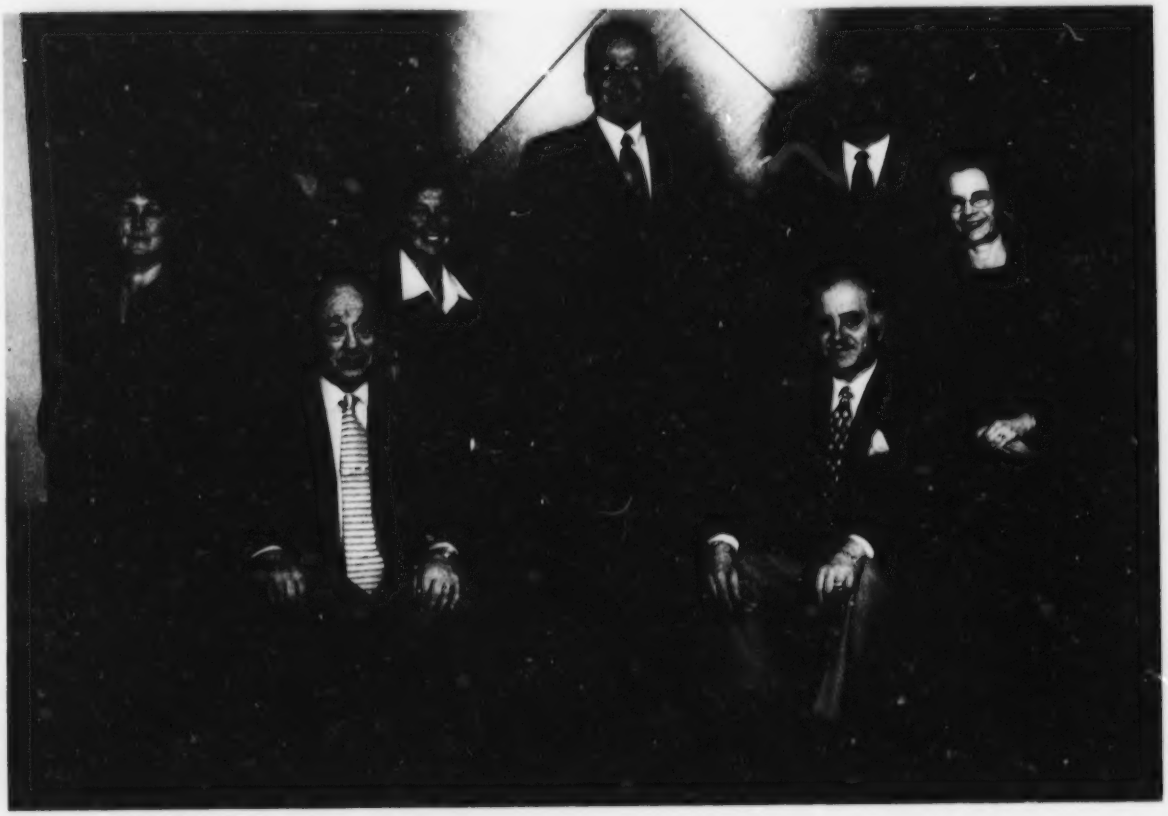
The year 2001, despite its challenges, was a very rewarding one. Although I really don't expect that future years are going to see any fewer challenges, I am confident that they, too, will be rewarding ones for STC.

The company will not only endure, it will move ever forward because everyone, from the newest employee on up to the Chair of the Board of Directors has one thing in common. We are "Committed To Our Customers...Committed To Our Community".

On behalf of my fellow Board Members, I would like to congratulate the management and staff at STC for a job well done in 2001.

Janet Folk

Janet Folk,
Chair, STC Board of Directors



STC Board of Directors

Standing: **Feyhan Al-Katib**, Saskatoon, Vice-Chair of Board, Chair, Audit and Finance Committee, Member, Selection Committee; **Jim Hadfield**, President and CEO; **Wayne Timoffee**, Prince Albert, Chair, Planning, Priorities and Governance Committee, Member, Selection Committee.

Seated: **Dawn Stanger**, CIC, Corporate Secretary; **Leo Weaver**, Regina, Representative for Amalgamated Transit Union Local 1374, Member, PP&G Committee; **Janet Folk**, Regina, Chair of Board, Chair of Selection Committee, Member, A&F Committee; **Wally Sotski**, Yorkton, Member, A&F Committee; **Holly Ann Knott**, Saskatoon, Member, A&F Committee.

Missing: **Cecile DeBray**, Duck Lake, Member, PP&G Committee; **Larry Schultz**, Ft. Qu'appelle, Member, PP&G Committee.

Report of the President

We have entitled our 2001 Annual Report "Committed to Our Customers...Committed to Our Community" because that spells out the two main streams of action which dominated everything the company did within the year.

Like any other company that wants to succeed, STC must always remember to keep the needs of its customers at the forefront of its planning. At the same time, however, as a Crown corporation of the Province of Saskatchewan, we must ensure that service to the larger community is a prime consideration.

STC has always had a good reputation across the province for customer service. This is a record we take a lot of pride in, from the most junior employee right up to the President's office, and even beyond, to our Board of Directors.

However, we also realize that, no matter how good your level of customer service is, it can always get better.

In 2001, we began being more proactive about improving customer service, a policy which will carry over into 2002.

For instance, we improved our efficiency with issuing tickets to our passengers by installing a new computerized point of sale system. The technology has been in service with Greyhound Canada for a number of years now. It will not only help the company's record keeping, but will be able to process our customers faster and with a greater degree of accuracy.

When our business planning for the year called for the termination of bus service to the village of Mistatim, local residents voiced some concerns. STC went to a community meeting, heard those concerns, and changed its plans so as to meet the needs of our customers.

We paid attention to some small details, such as the installation of automatic banking machines in our two main depots, for the convenience of our customers.

We continue to place a high premium on such things as the mechanical reliability of our coaches and the cleanliness of both our depots and our coaches. As always, our number one customer satisfaction issue is the safety of our passengers.

As 2001 drew to a close, we made provisions for the 2002 budget to have extra funds available for further customer service training for our staff, and for better outreach with our agents in rural Saskatchewan.

Our commitment to the community of Saskatchewan is just as strong, and is demonstrated in a number of ways.

First amongst these is our continued effort to protect the financial integrity of the company so as to minimize the financial risk to its shareholders, the people of Saskatchewan.

Primarily, we do this by keeping a tight rein on expenditures, while doing whatever we

can to maximize revenues. Our revenues for 2001 were up slightly from the previous year, $13,651,000, compared to $13,618,000, while our expenditures also increased to $17,040,000 from $16,536,000. Overall, our loss for the year was $3,389,000, up from $2,918,000 the previous year.

Our annual grant from our holding company, the Crown Investments Corporation of Saskatchewan, increased to $3.8 million from $3.7 million in 2000.

STC continues to be caught in a cost squeeze, where inflationary pressures are forcing our costs up at a faster rate than our revenues are rising. As I said earlier, we try to control costs and enhance revenues to help offset the difference.

In the cost-containment area, we made some changes to our service provision in 2001, eliminating about 62,000 miles from our scheduled service of more than three million miles. This resulted in annual savings of about $55,000.

One area where we have seen some increase in revenues is charter services. Our 2001 revenues in this area rose to $125,000 from about $72,000 the previous year. It is likely that our revenues could have been higher, but STC does not actively compete against the private sector for charter business. We do not advertise for it, nor do we purchase extra equipment or additional staff to handle the business. We only take a charter contract if we can commit to it using existing resources.

Any charter business we get is from people who come to us, specifically asking us to do the work. Our slight growth in this business is solely due to word-of-mouth promotion from satisfied customers.

We also had a rate increase of about nine per cent on our passenger fares in 2001. Unlike other Crown corporations, STC does not have to submit rate changes to the independent rate review panel because its rates are already subject to regulation by the Highway Traffic Board.

Although STC's passenger fares remain below the Western Canadian average, they are getting closer to that average than in the past. But in this area, we walk a fine line between establishing fares which are more reflective of our costs and pricing ourselves out of the range to our customers, the majority of which continue to be Seniors, students, and those who are economically disadvantaged.

In the course of the year, STC and Amalgamated Transit Union Local 1734 were able to conclude a three-year collective agreement, in record time for STC and without need to seek conciliation. The agreement provided for a three per cent per year increase for employees, which is right in line with most other Crown corporations and Government agencies in Saskatchewan.

There is one other event from 2001 which merits mention, and that is the fuel spill which was detected at our Saskatoon garage during the summer.

Leaks from underground fuel storage tanks are considered to be a major environmental concern, and rightly so. As soon as this spill was detected, STC entered into consultation with the Saskatoon Fire Department and Saskatchewan Environment and Resource Management, following their instructions on everything we did.

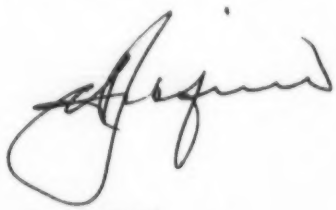
The tank was removed from the ground, the ground soil was cleaned and a new, above-ground tank was installed.

As it turned out, the underground tank was not leaking, and the diesel fuel in the soil was probably the result of spillage when the tank was being filled. There was no way of knowing this, however, until the tank was removed and inspected.

Because of the small amount of contaminated soil, the mitigation cost for this project was much smaller than we had first imagined. It cost some $70,000 to remove the tank and clean up the soil and a further $81,000 to purchase and install a new above-ground tank. Although this was an expensive undertaking, it was much less than the hundreds of thousands (or perhaps more than a million) we had originally felt the project might cost.

What is important, however, is that no matter the cost, STC did not hesitate one minute in doing what was required to protect our province's environment.

I call that commitment; commitment to our customers and commitment to our community.



Jim Hadfield,
President and CEO

Corporate Mandate

The Saskatchewan Transportation Company is a Crown Corporation of the province of Saskatchewan. It was established by Government Order In Council in 1946. Its operations are governed by its Board of Directors, under the authority of The Crown Corporations Act, 1993.

STC is a provincial coach company which provides safe, affordable and accessible bus passenger and freight service to Saskatchewan communities.

Statement of Mission

STC will provide the highest level of passenger bus service in the province, consistent with its business needs and financial confines. In doing so, it will take whatever steps are necessary to contain expenditures, such that the subsidy required from its stakeholders can be held to a minimum.

STC will ensure that its freight operations function on at least a break-even basis.

Vision Statement

STC is the primary mover of people and freight in the Province of Saskatchewan. It provides transportation of people and goods which is safe, reliable and affordable. It protects the investment made by the people of Saskatchewan by providing the level of service required in the province's rural communities, while maintaining its losses at the minimum amount possible. While STC can, and will, compete effectively where it operates in a competitive environment, it will still deliver the same level of competitive service in those areas where it operates unopposed.

STC will maintain and improve its market share in both passengers and freight, and will continue to upgrade the service it offers the people of Saskatchewan.

STC will explore any and all methods of raising additional revenues, but never losing sight of the fact that it is, at the end of the day, a bus passenger service for the communities of Saskatchewan.

Corporate Values

We at STC believe that we can only do our job properly when we adhere to the following values:

- Honesty in all business transactions
- Dependability, not only in our vehicle operations, but in all facets of the company's work
- Placing the safety of our customers paramount to all other concerns
- Providing a safe work environment for all our employees
- Never accepting the status quo as the best possible outcome for our stakeholders
- A work environment which supports employment equity and offers opportunity for advancement to all employees
- Teamwork in decision-making; teamwork in implementing action
- Meeting all targets within our work units and within our corporation
- Searching for innovative solutions to the problems which arise
- Recognizing the contributions made by all employees to the company's successes
- Taking pride in our accomplishments, and admitting to our mistakes
- Developing and maintaining a positive approach to communications, internally and externally.

Management Discussion and Analysis

In this MD&A, STC Management will discuss industry trends in the bus industry in Canada, and will look at the company's three main components — passenger service, freight operations and maintenance in regards to their operating and financial highlights for the year, the challenges which they faced, how they dealt with them, the challenges and opportunities down the road, and the outlook for future operations. Other facets of the company's operations will be discussed as well.

Danny Brown

Accounting Clerk, Regina

21 years, 6 months service

Industry Overview

Comparative industry information within the bus industry in Canada is not readily available due to the competitive nature of the business. There is, however, some empirical data available, as well as what can be garnered through anecdotal information.

The Government of Saskatchewan's Crown Corporation Review conducted in 1996 used Proteus Transportation Enterprises of Montreal to do an in-depth analysis of the Saskatchewan Transportation Company. The baselines established by that study are, to a great degree, those which continue to have an impact on STC's operations.

That study showed STC had about two per cent of the passenger market and about eight per cent of the freight market (bus industry) in the nation. This anomaly was explained by the fact that the largest segment of this freight industry is centered in Western Canada, where STC operates.

Since there has been little or no change in the intercity bus transportation industry since that time, those numbers are still representative.

The Proteus study in 1996 noted that the major roadblock standing between STC and profitability was the fact that its costs were calculated at 35 per cent above its revenues. Since that time, STC has worked consistently on lowering the ratio between expenditures and revenues. At the end of 2001, the ratio had been reduced by 42 per cent.

This change in ratio is primarily due to continued reductions in expenditures, rather than increases in revenues. There would have been an even larger reduction had revenues not been declining at a rate somewhat less than expenses.

In 2001, as in the previous three years, STC had to look for internal economies to help reduce the loss to its bottom line. In the past four years, the company's overall expenditures have declined by some 22 per cent.

While these figures do not indicate that STC will operate in a profitable range, it does indicate significant movement in the right direction. And, given that STC is a Crown corporation which must always be mindful of its public policy goals, profitability will often take a back seat to the provision of service.

The Proteus study also noted that, at that time, the fares charged to STC passengers were about 25 per cent below the industry standard. Again, the public policy requirements of STC are such that the company must always be mindful of the rate by which it increases its fares.

That being said, however, the company has made significant progress in this area. At the end of 2001, the difference in fares charged by STC and by Greyhound Canada had fallen to about 2.5 per cent. As Greyhound makes up between 70 and 80 per cent of the industry in Canada, that would mean STC's fares are very close to being on par.

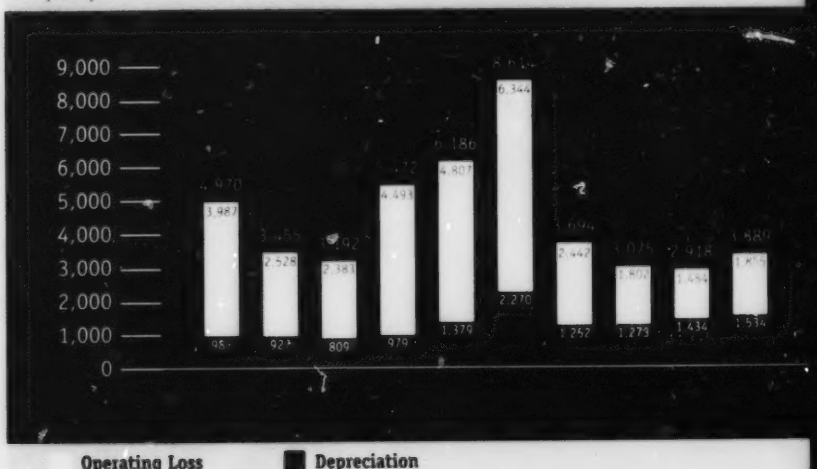
STC increased its passenger fares by about nine per cent in 2001. However, because of the increase in fixed costs facing the company, most noticeably fuel and staff, that increase in revenues fell far short of matching the increase in expenditures.

That has been the pattern for STC for the past two years and, as a result the company has had to look at more aggressive cost-cutting measures.

In 1998, the company was instructed by the Government to maintain the level of service it had at that time, while keeping the level of subsidy it received from the Crown Investments Corporation of Saskatchewan to $4 million or less.

For the next three years, STC lived within those guidelines, something it was only able to obtain by eliminating virtually all discretionary spending. By the end of 2000, the company had no spending left to cut

Operating Deficits
(000's)



which would not have a direct impact on the level of service it provided the province.

In recognition of this, the government, as of January 1, 2001, gave the company the authority to make some adjustments in the level of service it provides. Such changes are only done within a rigorous set of controls, where the company must first receive Government approval for the amount of miles it intends to cut from its system, and then must follow a comprehensive communications program to make any changes known to the people who will be affected by them.

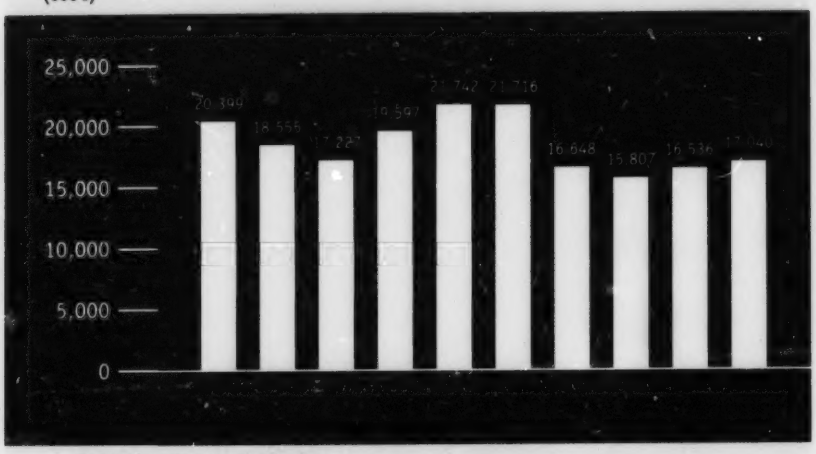
Under this new policy, STC eliminated some 62,000 miles from its system in 2001, for an annual saving of $55,000. For the most part, these reductions came from changing the scheduled frequency of service or changing the configuration of a route.

According to Statistics Canada, the number of inter-city bus passengers carried by scheduled service had declined from 33 million in 1980 to 11 million in 1994. That trend continues.

In the case of STC, there were 787,000 passengers using the system in 1980. In 2001, that figure was 287,000 passengers, or a decline of 64 per cent.

The one circumstance which had the most impact on the entire transportation industry in North America during 2001 was the tragic set of events occurring September 11.

Operating Expenditures
(000's)



Total Operating Expenditures

The resulting confusion in the airline industry resulted in what has been reported as a substantive growth in customers for the bus industry in the United States and, to a lesser degree, in Canada.

However, as STC is restricted almost entirely to service within the province and most of the customer service points are not on scheduled airline runs, the impact on the company was negligible.

The September 11 tragedy gave pause to every company involved in the transportation industry. It has caused STC to continually monitor and evaluate its security procedures.

Passenger Service

STC has, far and away, the bulk of the bus passenger business in Saskatchewan.

Greyhound runs two routes through the province (along the TransCanada Highway and along the Yellowhead Highway), and there are a number of small, locally-based carriers, serving only specific areas.

The company runs 28 routes in the province. The viability of those routes varies, as does, to a lesser degree, the equipment used by STC to service them. The smallest unit currently operated by STC is a 15-seat van, and the largest is a 55-seat bus. In 1999, the company began a process of "right-sizing" its equipment, which is to say putting smaller coaches on less busy routes. That process continued into 2001.

In 2001, STC received a capital grant of $1.8 million from its chief stakeholder, the Crown Investments Corporation of Saskatchewan. Of that money, about $1.4 million was used for the purchase of new coaches and freight trailers. As well, the company received a grant of $2.0 million to help subsidize the cost of running unprofitable routes.

In 2001, STC operated 3.3 million miles of bus service in the province, providing connections to 275 communities. It carried 287,000 passengers.

The company's cost per mile of carrying passengers was $2.72, and the revenue per mile generated by passengers was $1.98. This represents a per-mile subsidy of $0.74.

In September of 1999, STC introduced a frequent-user program, called "Way To Go", which provided holders of an annual pass, priced at $20, discounts of an additional 20 per cent on their fares. These passes where made available to Seniors, students and children. In 2001, STC modified the program so that all other users could have access to the program at the cost of $50 a pass. The company sold 974 passes during the year.

As mentioned earlier in this MD&A, STC removed some 62,000 miles from it scheduled service during the year. It had been intended to totally discontinue service to two communities and these two communities were duly notified of STC's intentions.

There were no objections heard from one community, St. Louis, but a number of concerns were voiced by the other community, Mistatim. STC management attended a community meeting in Mistatim and, after hearing the concerns of the townspeople, decided not to eliminate that service.

In 2001, STC's revenues for passenger service were $6,454,000, compared to $6,443,000 the previous year. Its operating expenses were $9,009,000, compared to $8,965,000 in 2000.

STC's strengths in the passenger industry are two -- its virtual monopoly of operations in a large portion of the province, and its name recognition.

Its major weakness lies in the changing demographics of the province, which result in a shrinking potential marketplace.

STC's three-year collective agreement with the Amalgamated Transit Union Local 1374 expired at the end of 2000. A new agreement was reached in 2001, calling for an increase in wages of three per cent for each of the next three years.

STC absorbed the three per cent increase internally without it having a negative impact on its over-the-road costs for bus passenger service.

Opportunities for the company in the bus passenger industry are limited, as the market for this service will likely continue to shrink or, at best, be stagnant. However, STC is looking at alternatives in the delivery of service which might be useful.

Right-sizing the fleet to ensure that smaller, more cost effective vehicles are used where usage permits is one option the company has been pursuing for the past four years.

As well, STC will continue to examine schedules to see if some can be made more convenient to the traveling public, to attract more ridership.

An on-going threat to the company's passenger operations lies in the province's changing demographics. Continued urbanization, reliance on private automobiles, and development of the highway system will only further erode the company's client base.

Of considerable concern to STC in 1999 and 2000 was the threat of action by the Federal government to deregulate the bus passenger industry in Canada. That threat is no longer as prevalent, as the Federal government, for various political reasons, does not seem intent on pursuing that course at this time.

However, since the company has no way of determining what the Federal government's plans are in the future, it

Roberta Clarkson

Express Service Attendant 2, Regina

10 years, 6 months service

must continue to see deregulation as a possible threat.

Deregulation would result in STC losing its running rights on the routes it currently operates in the province, allowing anyone else who so desires to operate a scheduled bus service on those routes. Such

Dawson Chafe

Coach Cleaner, Regina garage

13 years, 10 months service

"cherry-picking" could see STC having to bear the cost of operating unprofitable routes, while losing the revenue from profitable routes.

STC's passenger operations account for 75 full time in-scope and eight part time in-scope employees.

Parcel Express Service

STC operates its freight business in a fully-competitive environment. It is in competition not only with other bus services, but also with trucking firms and courier services, as well as Canada Post.

As well as providing overnight depot-to-depot service (in most cases), the company also provides a door-to-door pick up and delivery service in the major centers.

Since its inception, STC has been in the freight hauling business, and will continue to be as long as it is operating buses. The buses it runs have the capacity to carry freight as well as passengers, so it makes sense to do so.

In many rural communities in Saskatchewan, STC has long been the primary carrier of parcels for personal, business, and farm usage.

In 1996, STC expanded into the courier industry and purchased a number of trucks and vans to facilitate this work. However, since it has been found that the volume of freight carried did not justify the cost, in most cases, STC has continually cut back on that service until, at the end of 1999, the only regularly-scheduled truck service remaining is on the Regina-Saskatoon corridor. In 2001, that truck service remained in operation.

To ensure that the loss of trucks does not mean an unacceptable loss of capacity, the company started, in 2000, to equip its buses with trailers to carry additional freight. Since this has only a minimal effect on the already existing costs of running the bus, it is a much more financially palatable action than running separate truck service. That practice continued in 2001.

Freight operations at STC garnered $6,585,000 in revenues for 2001, compared to $6,520,000 in 2000. Expenditures were $4,029,000, compared to $3,985,000 the previous year. That meant a profit of $2,556,000 compared to $2,535,000 the previous year.

In early 1998, the Highway Traffic Board, which regulates bus and truck express operations in the province, deregulated all freight business. This means STC no longer has to seek regulatory approval to change its rates for parcel express.

However, due to the extremely competitive nature of the freight business, STC does not have a lot of room within its tariff schedule for any significant increases.

STC's greatest strength in the freight business is the synergies it has with the passenger service. That is to say that, since the buses are running on a large network anyway, with room to carry freight, the over-the-road costs to the company for carrying freight are minimal. With the addition of trailers to the buses, this becomes even more of an advantage.

Other strengths of the company are name recognition, and its ability to provide next day delivery throughout much of the province. As well, it is one of the very few

delivery systems in the province which provides weekend service to many points in Saskatchewan.

STC is very well suited for the transportation of parcels in the one pound to 30-pound range, which makes up approximately 80 per cent of its freight business. A lot of this is the result of walk-in, rather than regular, customers.

Its major weakness is that its system of freight tariffs cannot keep pace with increasing costs. STC rates are still somewhat below Western Canadian averages for bus parcel express service. In addition, some firms have been offering deep discounts to attract some major customers away from STC. STC has lost some of these customers, and must now try to win them back with price discounts of its own.

Since the freight hauling business in Saskatchewan is mature, the opportunities for STC to increase its market share are limited. In 2001, STC launched a more aggressive advertising campaign in an attempt to increase its market share. As of this writing, the success of that endeavor has not been quantified.

Increasing rates is not a sustainable method for the company to increase revenues. The competitive nature of the express business now fully dictates STC's express rates, and is currently keeping those rates low. Any sharp increases could result in a loss of market share.

The main threat to STC's express service is predatory pricing by competitors, which is sometimes difficult for STC to match because of its fixed costs -- mostly labour. Another threat, as with the passenger service, is the volatile cost of fuel.

The freight component of the business has 38 full time hourly and 21 part time hourly employees.

Maintenance Services

STC operates two service garages in the province, one in Saskatoon and one in Regina.

Traditionally, STC coaches have had a very high standard of maintenance, both in terms of mechanical reliability and cleanliness.

Because of the size of its facilities and the level of service provided, STC contracts maintenance service to a number of other coach operators in the province.

In July of 2001, it was discovered that there was a spill of diesel fuel associated with the underground storage tank at the Saskatoon garage. This represented a huge potential cost to the company because, had there been an extensive leak, the cleanup costs could conceivably run into the hundreds of thousands, if not millions, of dollars.

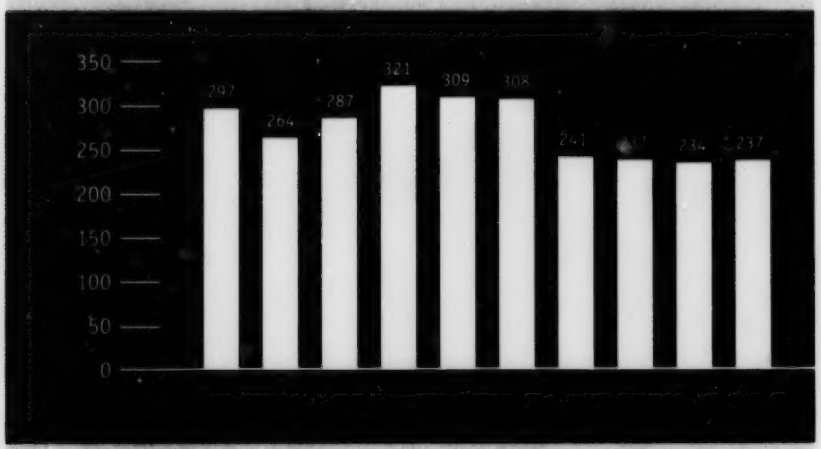
The company immediately moved to remove the tank and replace it with an above-ground facility. All removal and clean-up work was performed in accordance with the regulation set down by Saskatchewan Environment and Resource Management.

When the tank was removed, it was found not to be leaking at all, and it was concluded that the fuel in the ground was likely spillage from filling the tank. The removal and clean-up costs amounted to $70,000, and an additional $81,000 was spent to acquire the above-ground replacement tank and required fuel lines.

Following the Saskatoon spill, the tanks at the Regina garage were checked to determine their integrity. There was a minimal amount of mitigation required for those tanks.

In 2001, maintenance services cost the company $1,963,000, compared to $1,885,000 in 2000. Contracting service to other operators brought in

STC Employee History



$738,000 in revenues, compared to $673,000 in the previous year.

Over the past four years, STC has added three 15-seat vans, one 28-passenger coach and five 22-seat coaches into the fleet to replace larger vehicles. Although this was done for reasons related to over-the-road costs, it was also done for maintenance and safety reasons.

The coaches replaced were very old and required high maintenance. Worse, some were in such poor shape that it is doubtful they would have passed a safety inspection if kept in service. STC refuses to operate unsafe equipment which could jeopardize our passengers. As well, STC would have been forced to abandon service on some routes until coaches could be replaced.

STC's maintenance strength is its staff, with their commitment to safety and quality work. Another area of strength is the homogenous nature of its fleet, which allows for a much smaller parts inventory.

Its weaknesses in this area are the need, because of the geographic size of the province, to operate two facilities rather than one. As well, although the age of the fleet is declining steadily, it is still a relatively older fleet and, as such, requires greater maintenance and service.

Threats and opportunities for the maintenance operation are both related to its ability to contract its service to private operators. The threat is, because of its limited staff, it will not be able to do as much business in this area as in the past. And the opportunity is that it will still be able to attract all the business it can handle with its reduced staff.

The maintenance operation has 27 full time hourly and nine part time hourly staff.

Other Issues

STC, because of the nature of the passenger bus industry in North America, has limited room for growth in its primary lines of business -- passenger and express services. As such, the company is always looking for other ways by which to grow its revenue base.

One of these options, previously discussed, is providing maintenance, coach cleaning and coach storage services to other bus companies. While this has been a lucrative venture for the company, limitations in staff and facilities availability makes it a finite area of endeavor.

One area where there has been modest growth in "other" revenues is with the operation of charters. STC does not compete with privately-owned companies for charter business. It does not advertise the service, and it has neither coaches nor employees designated for charters.

However, if somebody approaches the company with the offer of charter work, and if there is a coach and driver available, the company will take the contract.

As a result of word-of-mouth promotion by satisfied clients, STC has seen a modest growth in its charter business. In 2001, the company fulfilled 150 charters, bringing in revenues of $125,000, compared to the previous year, where there were 96 charter contracts, with revenues of $72,000 realized.

The company also leases out excess space, primarily at the Saskatoon garage and Saskatoon depot. In 2001, this activity accounted for revenues of $135,000.

Less successful, to this point, has been the company's entry into the field of bus advertising, which began in 1999. In 2001, revenues raised through bus advertising amounted to $18,000, compared to $29,000 the previous year.

In 2001, STC installed vending devices, specifically automatic banking machines, in its depots as another method of gaining revenues. The revenues from this source amounted to $4,000 during the year.

In 1996, STC brought on-line a computer system designed to simplify its billing procedure. It soon became abundantly clear that the system could not do the job for which it was designed. In fact, the failure of the system left the company with a very large backlog of unbilled accounts and an unacceptably high level of accounts receivable. The system was shut off late in 1997.

However, the failure of this system does not negate the effectiveness of technological advances in the bus industry. In 2000, STC began to install a new point of sale (POS) system for the sale of passenger tickets. This was in place and tested for all depots and major agencies by the end of 2001.

The new POS system uses the proven technology of the Gateway system, employed for a number of years by Greyhound Canada. As such, the failures of the previous system are not expected to be repeated.

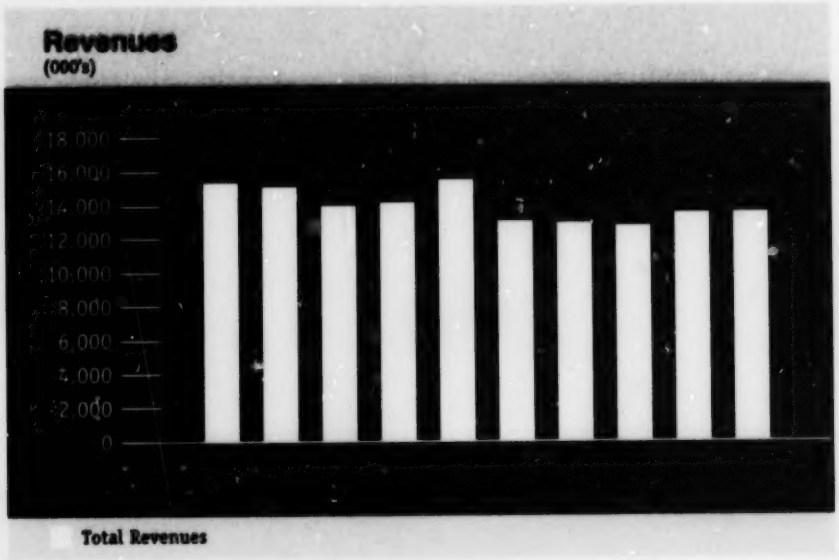
Because of its financial situation, STC does not make many direct charitable donations to the Saskatchewan community. Instead, the company provides targeted gifts-in-kind on a limited basis, such as free freight or bus passes to some charitable organizations and occasionally will give a charitable charter. The estimated

costs of these services in 2001 were about $3,235.

Because it is regulated by federal legislation, STC falls under the authority of the Canadian Human Rights Commission. As a result, late in 2001, STC was subjected to an Employment Equity Act audit of facilities and practices. The outcome of that audit was pending at the time of writing.

The Finance department has 18 full time hourly employees and one part time hourly employee.

Although STC's financial performance is improving, STC is still incurring yearly net cash losses. As a result, STC did not pay a dividend to CIC in 2001, and does not expect to pay one in 2002.



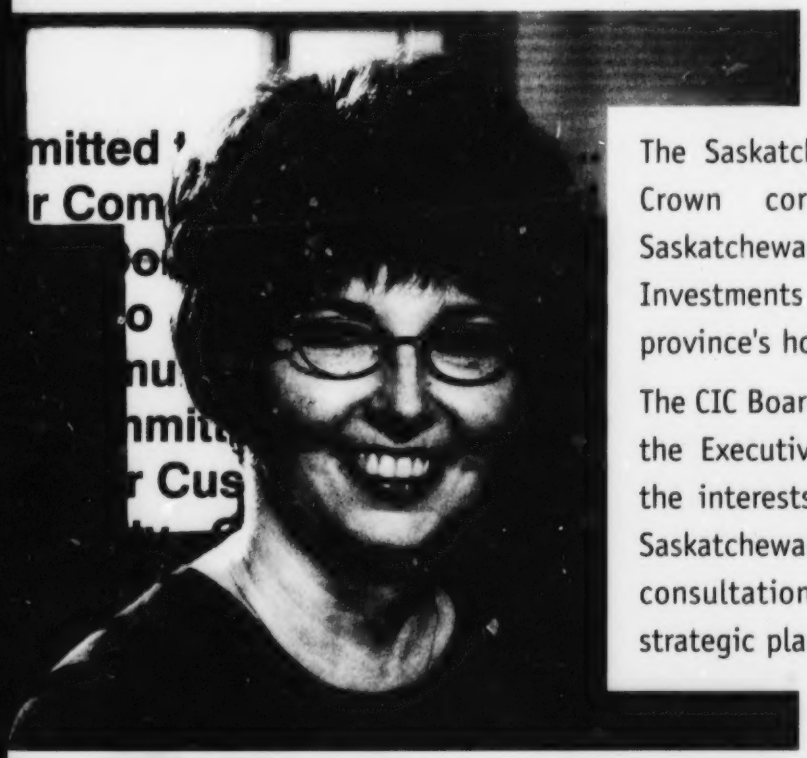
Financial Status

As a result of the debt restructuring in 1997, and the recent use of grant funding to subsidize STC's operations with respect to passenger services, the company remains debt free.

Capital grants received from Crown Investments Corporation of Saskatchewan (CIC) in 2001 were $1.8 million, compared to $1.9 million in the previous year. About $1.4 million of the capital grant received in 2001 was used to purchase fleet assets. It is anticipated that STC will require $2.4 million in capital grants in the year 2002.

In 2001, STC received $2.0 million in operating grants from CIC to fund part of its operating losses with respect to passenger operations. The remaining funds needed to operate STC's passenger services are generated internally from the express service operations. STC anticipates that it will require $2.4 million in the year 2002 to cover its operating shortfall.

Public Policy and Financial Integration



The Saskatchewan Transportation Company is a Crown corporation of the Province of Saskatchewan, under the auspices of the Crown Investments Corporation of Saskatchewan, the province's holding company.

The CIC Board of Directors, who are all members of the Executive Council of Government, represent the interests of the stakeholders, the people of Saskatchewan. As such, it has developed, in consultation with the Crowns, a long-term strategic plan and a method of evaluation.

Carol Wolf

Administration Assistant, Customer Service and Operations, Regina

21 years, 9 months service

STC is in full support of both the strategic objectives and of the evaluation methodology used by CIC. The company feels this is the best method available to not only ensure that it is meeting its social obligations to the people of Saskatchewan, but is also as transparent as it can be in terms of where it is and where it is going as a corporation.

The strategic plan sets out five objectives for a Crown corporation that are to be part of its business and strategic planning. The five objectives are:

1. Customer: To exceed customer expectations for products and services.

2. Financial Health: To help position the entire Crown sector to prosper.
To provide a return to the people of Saskatchewan that justifies the shareholder risk and investment in the overall sector.

3. Mandate and Role: To incorporate the Crown sector's mission into each corporation's mandate and role.
To strive to balance accountability with each corporation's need to operate in a commercially competitive environment.

4. Public Purpose: To strive to ensure access to reasonably and competitively priced sector products and services on an equitable basis that might not otherwise be available to all or some of Saskatchewan's residents.
To contribute to social, economic and environmental public policies of the Government of Saskatchewan, including: economic diversification and growth; representative workforces; skills training and development; technical innovation and development and environmental responsibility and stewardship.

5. Human Resources: To align human resources processes and practices to best deal with emerging sector wide issues and to support achievement of individual Crown corporation strategies.

Financial Integrity—The First Consideration

A Saskatchewan Crown corporation is, by definition, a business entity. It provides a service, for which it charges a fee. This is as true with STC as it is with any of the other CIC Crowns.

As a business, a primary concern of STC has to be its financial integrity. The corporation must ensure that the shareholders -- the people of Saskatchewan -- are getting the best possible value for the money invested.

In most business operations, this is measured by return on investment. In the case of Saskatchewan's Crown corporations, this is found in the dividend paid to the holding company, CIC, by the various Crowns.

An obvious exception to this is STC. As the company does not make a profit, but rather, receives a subsidy, it cannot pay dividends. Because the corporation is seen as a valued contributor to Saskatchewan society, its continued success is not judged solely on financial performance.

The indicators of STC's financial integrity are therefore different from most other Crowns. It is evaluated on the amount of subsidy it receives (Is this kept as low as possible?) and by the value it gets for the money injected into its operation (Are taxpayers getting their money's worth for the subsidy they pay? Is STC spending the money prudently?).

Public Policy—The Second Consideration

As the Government of Saskatchewan defines a Crown corporation, it must be more than just a successful business endeavor; it must also serve a purpose in enhancing the quality of life in the province in a number of areas.

These areas are many and varied, including, but not limited to: providing a public service which would not otherwise be available; providing a necessary service at the lowest possible cost to the consumer; providing employment and employment training opportunities; providing equity employment opportunities; promoting the growth of local businesses and the economy; promoting safe and harmonious workplaces; promoting technological awareness in the workforce; and providing stewardship of the environment.

In essence, then, the corporation must not allow bottom line considerations to outweigh these other important aspects.

Each corporation, depending on such factors as its line

of business and its competitive outlook, will take a different approach to attaining public policy goals.

STC, because of its financial constraints, is more challenged than other Crowns in terms of meeting its public policy purpose, but must comply with the overall direction nonetheless.

Integration

Integration of these two important aspects of a Crown's business are found in the Performance Management Document, a contract drawn up each year by the Crown, in consultation with CIC.

This Performance Management Document forms the foundation on which a Crown corporation builds its annual strategic plan and annual business plan. In essence, the corporation designs its operations towards the fulfillment of the Performance Management Document.

The heart and soul of the Performance Management Document is the Balanced Scorecard, a reporting technique used to evaluate the Crown's planning process and its success in moving toward the goals it has set out.

This Balanced Scorecard, divided into four major quadrants, sets out a general purpose, plus specific targets in moving a corporation to that purpose, and the specific measuring devices to judge the corporation's success in its actions.

STC's Balanced Scorecard for 2001, including year-end results, is set out below:

Public Policy

Objective	Measure	2001 Target	2001 Actual
Provide adequate level of service	Miles traveled	3.2 M	3.3 M
Contribute to sense of community in province	Number of communities served	273	275
Protect our environment	Greater fuel efficiency	1.5% improvement	2.64% improvement
Build representative workplace	Implementation of annual joint union-management employment equity plan	1. Develop HR strategic plan including current future skills inventory. 2. Negotiate partnership agreements with two equity agencies.	1.Strategic Plan was approved; skills inventory & employment systems review started. 2. Agreements with SSILC and Aboriginal Affairs concluded; one to be signed in May; one student job placement arranged. 3. Initiated manpower planning framework for Motor Coach Operator retirements with Aboriginal Affairs

Customer

Objective	Measure	2001 Target	2001 Actual
Maintain fare affordability	STC fares below Western Canadian average by 2 - 4%	3%	2.3%
Maintain safety	Age of fleet (large coaches only - more than 30 seats)	8.47 years	8.51 years
	Age of fleet (all coaches, including vans)	7.08 years	6.92 years
Maintain optimum seating configuration	Load factor as percentage of available seats	27% +/- 1%	25.0%
Customer satisfaction	Ridership surveys	75% good or excellent	80% excellent or good in both June and August surveys

Financial

Objective	Measure	2001 Target	2001 Actual
Minimize operating grant	Yearly operations subsidy	$2.0 M	$2.0 M
Minimize capital grant	Yearly capital subsidy	$1.8 M	$1.8 M
Maintain express market share	Increase in yearly express revenue	1%	-2.3%

Innovation and Growth

Objective	Measure	2001 Target	2001 Actual
Right size fleet to match needs	Reduce % of fleet that are large coaches (30+ seating)	78%	76%
Explore new business opportunities	Year to year actual increase of other revenues	Actuals	7.4%
Measure and improve employee satisfaction	In-house surveys	1. Conduct and collate surveys to establish baseline. 2. Develop action plan within 2002 Business Plan /Budget.	1. Surveys completed & results compiled. 2. First step in Action Plan is Budget for additional training — approved. 3. Joint Job Evaluation Committee grading completed

Significant Variances:

1. Express market share: Down due to poor performance of manufacturing and agricultural industries and increased competition.

The Balanced Scorecard is an evolving document. Some significant changes have been made and are being made to the measures that will be used in the 2002 scorecard, which reflect both the evolution of the method and reflection of strategic business considerations. The Balanced Scorecard for 2002, at time of writing, is:

Public Policy Goals

To achieve our vision, how can we satisfy public policy goals?

Objective	Measure	2002
Provide optimum level of service to match customer demand	Miles travelled Number of communities served	3.1 M 273
Protect our environment	Greater fuel efficiency	1.5% increase
Develop fair compensation package for employee	Gender-neutral classification plan, incorporating government and industry standards	Job evaluation and market study completed
Enhance quality of customer service	Number of staff trained under "Saskatchewan Best" program	50 staff trained per year
Build representative workplace	Implementation of annual joint union-management employment equity plan	• Review Statistics Canada population analysis and make appropriate recruitment plans. • Deliver workforce educational programs. • Explore new partnership opportunities with designated groups. TBD

Customer

To achieve our vision, how should we appear to our customers?

Objective	Measure	2002
Enhance fare affordability	• Customer satisfaction with fares • Customer satisfaction with discount programs	• 75% • 75%
Match seats in fleet more closely to customer demand	Load factor	24.2%
Ensure that rural Saskatchewan customers have access to full STC services	Increase knowledge base of rural agents through regional meetings	40 agents met with
Maintain safety	Preventable-accident free miles driven	82%
Customer satisfaction	Ridership surveys	80% good or excellent

Financial

To succeed financially, how should we appear to our shareholders?

Objective	Measure	2002
Utilize operating grant to fulfill public policy objective	Yearly operations subsidy	$2.4 M
Utilize capital grant to fulfill public policy objective	Yearly capital subsidy	$2.4 M
Ensure Corporation's asset base	Average age of fleet (30 or more seats) Average age of fleet	8.5 years 6.6 years
Ensure shareholder's subsidy is properly directed	Subsidy per mile travelled	$0.77

Innovation and Growth

To achieve our vision, how will we sustain our ability to change and improve?

Objective	Measure	2002
Enhance provision of technologically based services	Implementation of new technology measures	Network of Gateway electronic ticketing for passengers implemented
Explore new business opportunities	Actual-to-actual increase of other revenues	2% per year
Measure and improve employee satisfaction	In-house surveys	Implement recommendations from 2001 surveys
Increase charter business	Charter revenues (actuals)	35% increase over 2001

Financial Statements

Management's Responsibility for Financial Reporting

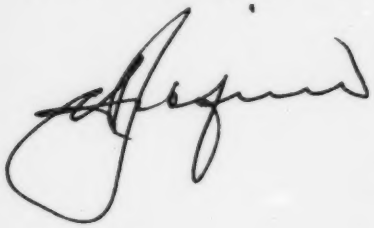
Management has prepared the financial statements of the Company in accordance with generally accepted accounting principles. The financial data included elsewhere in this report is consistent with the financial statements and the underlying information from which the Company prepared these financial statements.

Management has the primary responsibility for the integrity and objectivity of the financial statements. To fulfil this responsibility, the Company maintains appropriate systems of internal controls, policies and procedures. These systems provide reasonable assurance that assets are safeguarded and that the books and records reflect the authorized transactions of the Company.

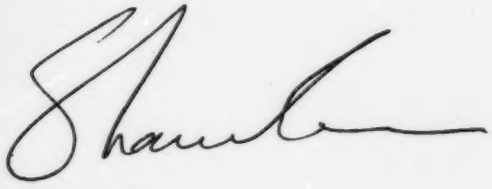
PricewaterhouseCoopers LLP, the Company's external auditors, have examined the December 31, 2001 financial statements, and their report follows.

The Board of Directors of Saskatchewan Transportation Company has examined and approved the statements.

On behalf of the Company,



Jim Hadfield
President & CEO



Shawn Grice
Senior Director
Finance & Administration

PRICEWATERHOUSECOOPERS

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Regina Saskatchewan
Canada S4P 0J3
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Auditors' Report

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the statement of financial position of **Saskatchewan Transportation Company** as at December 31, 2001 and the statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Saskatchewan Transportation Company as at December 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Regina, Canada
February 8, 2002

Chartered Accountants

Statement of Financial Position

As at December 31

	2001	2000
	(Thousands of Dollars)	
Assets		
Current		
Cash	$ 1,226	$ 1,020
Accounts receivable	1,631	1,757
Inventories	314	295
Prepaid expenses	148	114
	3,319	3,186
Capital assets *[note 5]*	15,224	15,020
	$18,543	$18,206
Liabilities and Province's Equity		
Current		
Accounts payable and accrued liabilities	$ 2,177	$ 2,061
	2,177	2,061
Deferred capital grant *[note 6]*	4,954	3,649
Province of Saskatchewan's Equity		
Retained earnings	11,412	12,496
	$18,543	$18,206

See accompanying notes

On behalf of the Board

Director

Director

Statement of Operations and Retained Earnings

Year ended December 31

	2001	2000
	(Thousands of Dollars)	
Revenue		
Express services	$ 6,585	$ 6,520
Passenger services	6,454	6,443
Other revenues	606	564
Gain on disposal of capital assets	6	91
	13,651	13,618
Expenses		
Operating	12,894	12,825
Administration	2,612	2,277
Amortization	1,534	1,434
	17,040	16,536
Loss before grant funding	(3,389)	(2,918)
Write-down of fleet assets *[note 5]*	(190)	—
Operating grant *[note 7]*	2,000	1,750
Capital grant *[note 6]*	495	341
Net loss	(1,084)	(827)
Retained earnings, beginning of year	12,496	13,323
Retained earnings, end of year	$11,412	$12,496

See accompanying notes

Statement of Cash Flows

Year ended December 31

	2001	2000
	(Thousands of Dollars)	
Operating Activities		
Net loss	$ (1,084)	$ (827)
Items not involving cash:		
Amortization	1,534	1,434
Gain on disposal of capital assets	(6)	(91)
Recognition of capital grant	(495)	(341)
Write-down of fleet assets	190	—
Net change in non-cash working capital [note 9]	189	26
Cash provided by operating activities	328	201
Investing Activities		
Additions to capital assets	(1,990)	(2,822)
Proceeds on disposal of capital assets	68	213
Cash used in investing activities	(1,922)	(2,609)
Financing Activities		
Capital grant received	1,800	1,900
Cash provided by financing activities	1,800	1,900
Increase (decrease) in cash	206	(508)
Cash, beginning of year	1,020	1,528
Cash, end of year	$ 1,226	$ 1,020

See accompanying notes

Notes to Financial Statements

1. Status of the Company

The Saskatchewan Transportation Company [STC; the Company] was originally established in 1946 by Order in Council #168 to act as a common carrier providing passenger service transportation, parcel express and freight services. The Company's powers, duties and conditions were affirmed in 1993 by Order in Council #5. The Company is continued under The Crown Corporations Act, 1993.

The accounts of the Company are consolidated in the annual financial statements of Crown Investments Corporation of Saskatchewan [CIC].

The Company is a Provincial Crown Corporation and therefore not subject to federal or provincial income tax.

2. Operations and Financing

In 2000, STC received cabinet direction with regard to its mandate. Under that direction, STC will continue to provide bus passenger and express service to the communities of Saskatchewan. STC will ensure that its commitment to servicing the province is kept uppermost in all of its planning even though the Company has been given flexibility to adjust service delivery levels to keep the Company strong.

STC continues to be dependant upon CIC for its funding as a result of the non-commercial routes operated by the Company. By way of Orders in Council #749/2000 and #750/2000, the Company was authorized to obtain grant funding up to $3,800 thousand in total for both capital and operating requirements. During the year, the Company requested and received $3,800 thousand of the $3,800 thousand authorized.

3. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles. The significant policies are as follows:

Inventories

Inventories of vehicle parts and supplies are stated at the lower of average cost and replacement cost.

Capital assets

Capital assets are stated at cost less accumulated amortization. Expenditures for betterments, such as major refurbishment and structural repairs, are capitalized. Normal maintenance, such as engine and drivetrain repairs or replacements, mechanical repairs and preventative maintenance, are expensed as incurred.

Operating Grant Revenue

Operating grants from CIC are recognized as revenue when received.

Capital Grant Revenue

Capital grants are deferred as received and are recognized as revenue over the life of the asset. The Company recognizes a portion of the capital grant as revenue each year equivalent to the amount of amortization recognized on the assets acquired with the grant funds.

Amortization

Amortization is provided from the date assets are put into service and is recorded on the straight-line basis at rates designed to amortize the cost of the capital assets over their estimated useful lives after considering salvage values.

Estimated useful lives are as follows:

Buildings	10 to 40 years
Vehicles	3 to 15 years
Other equipment	3 to 10 years

4. Financial Instruments

For certain of the Company's short-term financial instruments including:

Cash
Accounts receivable
Accounts payable

The carrying amounts approximate fair value due to their immediate or short-term maturity.

5. Capital Assets

	2001			2000
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
			(Thousands of Dollars)	
Land	$ 1,902	$ —	$ 1,902	$ 1,902
Buildings	10,037	5,035	5,002	5,124
Vehicles	12,327	5,371	6,956	6,701
Other Equipment	4,691	3,327	1,364	1,293
	$ 28,957	$ 13,733	$ 15,224	$ 15,020

The Net Book Value of certain fleet assets has been written down to reflect the Net Recoverable Amount of those assets.

6. Capital Grant

Order in Council #749/2000 authorizes the Company to obtain grant funding up to $1,800 thousand for capital requirements in 2001. During the year, the Company obtained $1,800 thousand [2000 - $1,900 thousand] from CIC.

Deferred Capital Grant consists of the following:

	2001	2000
	(Thousands of Dollars)	
Deferred capital grant, beginning of year	$ 3,649	$ 2,090
Capital grant received	1,800	1,900
Capital grant revenue recognized	(495)	(341)
	$ 4,954	$ 3,649

7. Operating Grant

Order in Council #750/2000 authorizes the Company to obtain grant funding up to $2,000 thousand for operating requirements in 2001. During the year, the Company obtained $2,000 thousand [2000 - $1,750 thousand] from CIC.

8. Pension Plans

The Company participates in two pension plans. One is a defined benefit plan established pursuant to the Public Service Superannuation Act and administered by the Public Employees Benefits Agency. The Company's contributions to this plan which were expensed during 2001 were $95 thousand [2000 - $108 thousand]. The other is the Capital Pension Plan which is a defined contribution plan administered by CIC. The Company's contributions to this plan which were expensed in 2001 were $396 thousand [2000-$378 thousand]. All eligible employees hired after September 1, 1980 are participants in the defined contribution plan.

The Company's financial obligation to each plan is limited to making regular payments to match the amounts contributed by the employees for current service.

9. Net Change in Non-Cash Working Capital

	2001	2000
	(Thousands of Dollars)	
Decrease (Increase) in:		
Accounts receivable	$ 126	$ 39
Inventories	(19)	35
Prepaid expenses	(34)	11
Increase (Decrease) in:		
Accounts payable and accrued liabilities	116	(59)
	$ 189	$ 26

10. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown Corporations, departments, agencies and boards and commissions related to the Company by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions, and amounts outstanding at year end, are as follows:

	2001	2000
	(Thousands of Dollars)	
Accounts receivable	$ 221	$ 134
Accounts payable	189	199
Express revenues	528	555
Other transportation services revenues	315	227
Operating and administration expenses	1,358	1,531

In addition, the Company pays Saskatchewan Provincial Sales Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other amounts and transactions due to and from related parties and the terms of settlement are described separately in these financial statements and the notes thereto.

Corporate Management

Saskatchewan Transportation Company

Head Office:

2041 Hamilton Street,
Regina, Saskatchewan
S4P 2E2
Phone: (306) 787-3347

Senior Management

President and CEO	Jim Hadfield
Senior Director Finance and Administration	Shawn Grice
Senior Director Customer Services and Operations	Vacant
Director Human Resources and Labour Relations	Ingrid Reid
Director Communications and Strategic Planning	John Millar
Manager Business Development	Dean Madsen
Manager Customer Services (North)	Ray Pilling
Manager Maintenance	Carl Clark

If you would like additional copies of this report, please contact Janet Abells at (306) 787-3412
e-mail jabells@stcbus.com

This document can be viewed at the STC website:
www.stcbus.com

Passages

In the year 2001, the STC family got smaller. Some of these passages were a time of celebration, and some were a time of mourning. But all of them took a little piece of the company with them.

Retirees:

Bryan Branvold, Motor Coach Operator, Regina, retired May 31 with 26 years, 348 days of service.

Leo Klassen, Motor Coach Operator, Saskatoon, retired June 30 with 21 years, 127 days of service.

Ed Pastuch, Motor Coach Operator, Regina, retired October 25 with 27 years, 152 days of service.

Greg Beattie, Senior Director Customer Service and Operations, retired December 31 with 21 years, 31 days of service.

In Memoriam:

Bonnie Pope, part time permanent coach cleaner in Regina, two years, 185 days of service, passed away October 13.